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ARTICLES:

(1) Potential negative impact of testimony by Toyota president on Japan-U.S. security arrangements

SANKEI (Page 8) (Full)
February 25, 2010

Yoshihisa Komori, Washington

There have been times in the past when Japan and the U.S. were at loggerheads over automobile issues yet were still able to strengthen their ties. Toyota Motor Corp. president's testimony before a U.S. congressional committee will become one of the highlights of this distorted history. But behind this development, there must be some complicated political motives of the U.S. government in addition to "the threat to American people's lives." Given this, depending on how the American people respond to Toyoda's testimony, there could be a negative impact on other areas of Japan-U.S. relations, including security.

Victims' family members also testify

The U.S. Congress indicated its intention in a series of hearings to focus on Toyota's technical probe into the suspected problem of sudden unintended acceleration with Toyota's cars, which resulted in accidents. To this end, Congress also summoned family members of car accident victims as witnesses. In the hearing on Feb. 23 carried out on the premise that the responsibility for the threat to American people's lives rests with Toyota, Congress members grilled the company relentlessly.

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Moreover, congress members and the media blamed Toyota executives for their initial responses to claims as "trying to hide unpleasant realities" or "trying to evade responsibility." Many critics shed negative light on Japan as a whole in discussions on its culture and society, and even compared Japan with the U.S. in terms of corporate culture and legal systems.

It has been 50 years since Toyota began selling its products in the U.S. and 25 years since the company started production there, as President Toyoda emphasized in his testimony. Toyota cars became hugely popular among American customers. The company created nearly 200,000 jobs at its more than 10 plants across the U.S. and laid out an extensive sales network in the nation. Toyota has achieved the record of selling the largest number of passenger cars in the U.S. These business results prove that the company has blended right in with American society.

Toyota becomes a villain in just a few months

This favorable image of Toyota changed completely in a few months. As the target of attacks in the congressional hearings, the company is now being treated as a villain. This change in the company's image is said to be attributed to the unusual circumstances of the accidents and the company's initial slow responses to the problems. The U.S. Congress members' demand for summoning President Toyoda as a witness was probably due to Toyota's strong presence in the U.S. community, as well as a reflection of their desire to listen to an explanation directly from the top leader of the company that has become such an integral part of U.S. society.

Behind the rapidly growing and spreading criticism of Toyota, however, there certainly is another element. Rush Limbaugh, a political radio commentator who is critical of the Obama administration, has made the following comment almost every day: "The Obama administration encouraged the Toyota bashing to support state-run General Motors and also to cover up for its feeble policymaking."

Democrats in Midwestern and Northern states, where U.S. automakers' production bases are concentrated, have taken the lead in lashing out at Toyota, given their close connections with auto labor unions. Meanwhile, Republicans in Southern states, where Toyota's plants are located, have stood up for the company. The conflict of views in

Congress is regarded as a political showdown.

As it stands, there are certainly differing views among Congress members, but the tension on auto issues between Japan and the U.S. runs deep, as symbolized by Toyota's testimony before Congress. In the past, as well, there have been cases in which issues related to Japanese vehicles have had major effects not only on the U.S. economy but even on the political and security fronts. Now that the Japan-U.S. alliance has begun to fall apart, it is hard to feel optimistic about future developments in the Toyota issue.

(2) Focus on Iran's response to Japan's proposed solution to nuclear issue

NIKKEI (Page 2) (Full)
Evening, February 24, 2010

With the Japanese government sounding out Iran on its proposal for
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resolving Iran's nuclear issue, the focus is now on Iran's response. The U.S. and the European countries are stepping up calls for additional sanctions, and it remains unclear to what extent Japan's proposal can help resolve the problem. However, the Iranians have indicated their willingness to continue negotiations, so the possibility remains that Japan's proposal may yet become the focus of attention.

Japan presented its proposal shortly after Iran's rejection of one from the U.S. and Europe. Japan reckoned that since it maintains relatively good relations with Iran through crude oil imports etc., it might be able to get Iran to compromise to an extent. It is believed that for the same reason the U.S. consented to Japan's making the proposal.

The reason Iran rejected the U.S. and Europe's proposal to enrich uranium in France or Russia is that it does not trust the U.S. or Europe or Russia. Russia has repeatedly delayed the supply of fuel to the nuclear power plant under construction in Iran in an attempt to wield influence. It is widely believed that the U.S. and Europe are "apprehensive of Iran's reliance on Russia," according to a European diplomatic source.

Part of the reason Iran is maintaining a tough stance toward the U.S. and Europe lies in the political strife between forces supporting President Mahmoud Ahmadinejad and Speaker of the Parliament Ali Larijani. Each time one side attempted to look for a compromise with the U.S. and Europe, the other side would thwart their efforts.

(3) Japan proposes uranium enrichment for civilian use for Iran as solution to Iranian nuclear issue

NIKKEI (Page 1) (Full)
Evening, February 24, 2010

It was learned on Feb. 24 that the government made a proposal to enrich and process uranium to be used as fuel for nuclear power plants in Japan for supply to Iran as a solution to the nuclear issue. At this stage the Iranian side has not given a clear answer to this proposal, but Speaker of the Parliament Ali Larijani, who is on a visit to Japan, is holding a meeting with Foreign Minister Katsuya Okada in the afternoon of Feb. 24, and the nuclear issue is expected to be discussed.

Iran is in dispute with the U.S. and Europe over the nuclear issue because it has been engaged in the enrichment of uranium, which could be converted for use in developing nuclear weapons. Tension has heightened, with Western countries seeking a new sanction resolution at the UN Security Council. Japan's proposal may become the focus of great interest depending on Iran's reaction.

Japan sounded out this proposal with Saeed Jalili, director general of Iran's Supreme National Security Council and its top nuclear negotiator, when he was in Japan last December. Last October, the U.S. and Europe made a proposal for Russia and France to enrich and

process uranium for fuel use, but Iran rejected the proposal from concerns about a plan initiated by the U.S., Russia, and Europe.

In light of this, the Japanese government obtained the U.S. government's consent to make to Iran a new proposal for the supply of fuel for nuclear power plants. Japan maintains diplomatic

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relations with Iran. It is aiming to use its connection with Iran to play a bigger role in non-proliferation at the nuclear security summit to be held in Washington in April.

Japan, as the world's only atomic-bombed country, has made nuclear disarmament diplomacy a top policy. However, it is uncertain whether Iran will respond positively to the proposal. A senior Japanese government official reckons that Iran's response "will also depend on the domestic political situation in Iran, where there is growing strife between the conservatives and the reformists."

Iran's nuclear issue came up in September last year after it was found that Iran has a new uranium enrichment facility that was not declared to the International Atomic Energy Agency (IAEA). The U.S. and Europe demanded that Iran stop uranium enrichment activities, transport the slightly enriched uranium in its possession out of the country, and receive uranium supply from other countries. Rejecting this proposal, Iran upgraded its level of uranium enrichment this month, giving rise to increasing concerns in the international community.

(4) Okinawa governor states for first time he may oppose Futenma's relocation within Okinawa

YOMIURI (Page 5) (Full)
Evening, February 26, 2010

In connection with reports that the government regards relocation to an inland area of Camp Schwab (in Nago City, Okinawa) as a promising plan for the relocation of the U.S. forces' Futenma Air Station in Okinawa, Governor Hirokazu Nakaima stated at the Prefectural Assembly on Feb. 26: "There might be a situation in which I will have to reject (relocation) within the prefecture." This is the first time that he has mentioned the possibility of opposing such a plan.

The governor has so far accepted Futenma's relocation to the coastal area of Camp Schwab based on the 2006 Japan-U.S. agreement. However, the prefectural legislature passed a unanimous statement demanding Futenma's relocation out of Okinawa or out of Japan for the first time on Feb. 24, pressing the governor to change his position.

At the Prefectural Assembly on Feb. 26, Nakaima expressed his displeasure with the lack of any explanation from the government and the ruling parties on the Camp Schwab inland proposal. He said: "I don't know what they are up to. It's all a mystery to me." He added: "In light of the procedure taken at the assembly (the adoption of the statement), there might be a situation in which I will have to reject (relocation) within the prefecture. Needless to say, I am thinking about it."

(5) Municipalities' chiefs express opposition to plan for land-based Futenma relocation facility to Naha Defense Bureau director

OKINAWA TIMES (Page 1) (Full)
February 26, 2010

Chiefs of affected municipalities, including Henoko Ward Head Yasumasa Oshiro, called on Naha Defense Bureau director Ro Manabe in the bureau office yesterday and handed to him a letter opposing a plan to build a land-based alternative facility to the U.S. Marine Corps' Futenma Air Station. The new plan is being floated within the

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government.

Oshiro told Manabe: "Under the new plan, the danger and noise caused by Futenma (air operations) would be shifted to the Kushi region. If that is the case, since local residents' livelihoods will inevitably be destroyed, we absolutely cannot accept the plan." Manabe replied: "I would like to make a report to the Defense Ministry so that (the examination committee on Okinawa base issues) will discuss the issue while bearing in mind the purport and contents of your request."

In the process of discussing the realignment of U.S. forces in Japan, too, the Henoko district was cited. Touching on this fact, Oshiro emphasized: "We confirmed the need to prevent the plan from being adopted even if we must enter the base. We would like you to work on the government to drop the plan to build a land-based base without fail." The mayor added: "We would like you to fully understand that all residents in the three districts of the Kushi region are determined to take preventive action." They did not refer to the existing plan, with Oshima saying: "That is what the government should decide." Besides Oshiro, Manabe also met with Toyohara Ward Head Masaaki Shiroma, Kushi Ward Head Kiyotaka Higa, the administrative committee chairmen of the two wards, and Futenma alternative facility countermeasures special committee chairman Hiroshi Kohagura.

After the meeting, Oshiro told reporters: "The candidate who promised in the campaign not to allow the construction of a new U.S. base in the Henoko district was elected in the recent (Nago mayoral) election. We must cooperate in a way we can." He said: "Although the proposed plan for a land-based facility does not specify whether the relocated site is Camp Schwab (the district of barracks) or the maneuvering area (the district of exercise), we cannot accept either of the two options."

(6) Municipalities' association adopts resolution calling for review of SOFA

OKINAWA TIMES (Page 2) (Full)
February 26, 2010

The association of municipal governments (chaired by Kadena Mayor Tokujitsu Miyagi) held its regular general meeting in Naha City yesterday and unanimously adopted a resolution calling for the review of the Japan-U.S. Status of Forces Agreement (SOFA). Miyagi has headed the association since 1998. With the expiration of his term of office, the association picked Minami-Haibaru Town Mayor Toshiyasu Shiroma as chairman.

The resolution notes that incidents and accidents involving U.S. military personnel have continued to occur despite repeated protests against the U.S. military whenever such incidents and accidents take place. It then points out: "The Okinawan people's lives, assets and human rights have continued to be trampled on." The resolution emphasizes the need to review the SOFA, saying that 50 years have passed since the two countries signed the accord and that this problem will never be resolved only by improving the operation of the SOFA. The letter is addressed to the prime minister, the foreign minister, the minister for Okinawa, and others.

Chairman Miyagi reiterated the need for nationwide discussions on national security and the SOFA, remarking: "We naturally place expectations on Prime Minister Hatoyama's statement that the burden

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on the Okinawan people will be lightened. We hope the prime minister will live up to our expectations."

As vice chairmen, the association reappointed Kin Town Mayor Tsuyoshi Gibu and Tarama Village Mayor Masaaki Shimoji and newly appointed Kitanakagusuku Village Mayor Kunio Arakaki. Their terms of office are two years starting on April 1.

(7) U.S. Marines in Okinawa play important role of deterrence and crisis response

ASAHI (Page 15) (Full)
February 25, 2010

Paul Giarra, former U.S. Defense Department senior country director for Japan

The Japanese government is now looking into the future options for the U.S. Marine Corps' Futenma Air Station. The presence of the Marine Corps has become increasingly important for Japan.

The Marines are the most highly competent combat troops in the world. The presence of the Marines in Japan has been a deterrent to "enemies," including North Korea, causing them to hesitate to attack (U.S. allies). At present the situation in Asia is extremely delicate. Since Japan has enjoyed security provided by the Marines, it has been able to devote itself to other challenges.

However, the basic question of why the Marines are important for Japan's future is sometimes forgotten in the midst of debates on the realignment of U.S. bases in Okinawa. It is ironic and regrettable that there are Japanese politicians who argue that since the Marines have nothing to do with Japan's security, there would be no problem if the number of Marines were reduced.

There are currently about 18,300 Marines and sailors stationed in Okinawa. Along with infantry troops stationed in Camp Fuji and an air unit at the Iwakuni Air Station, the Marines in Okinawa constitute the core of the III Marine Expeditionary Force (3rd MEF), which is headquartered in Okinawa. The 18,300 troops include infantry, air, artillery, intelligence, and supply units, as well as headquarters. One of the special characteristics of the Marines is that a Marine Air-Ground Task Force (MAGTAF) (sic) encompasses all these types of troops.

Marines' air units, especially helicopter units, conduct operations together with infantry, artillery, and supply units in contingencies. So they are required to jointly carry out training exercises under normal circumstances. As a result, the Marines must have a heliport facility in Okinawa.

The geographical location of Okinawa is also significant. A base located near regions where there is a possibility of contingencies occurring can quickly and effectively deploy troops. Okinawa is situated in an ideal location. It takes about 36 hours from Okinawa to the mainland of Japan or South Korea by sea, three days to the South China Sea, and five days to the Strait of Malacca. It takes at least three weeks from the West Coast of the United States.

The Marines are not only a deterrent force but also an emergency response unit that has powerful mobility.

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However, it is possible to split up the Marine Corps to a certain extent. Because the 3rd MEF has one of its two brigades stationed in Hawaii, its scale is smaller than those of the 1st and 2nd MEFs (stationed in the U.S. mainland).

Under the realignment plan for U.S. forces in Japan, including the relocation of the Futenma airfield, about 40 PERCENT of the Marines in Okinawa are scheduled to be transferred to Guam. These troops are mainly headquarters and supply unit members. The brigade comprising about an air-ground unit of 10,000 members, including the heliport unit troops at Futenma, will remain in Okinawa. If the relocation plan agreed upon between Tokyo and Washington is implemented, the 3rd MEF will be split up and stationed in Hawaii, Guam, and Japan in a well-balanced manner.

Some have contended that the Marines in Okinawa do not have a means of transportation. However, the need for transportation can be met by pre-positioning certain equipment and combining transport aircraft, amphibious assault ships, and high-speed transport vessels.

Okinawa's Marines are "Japan's Marines." U.S. Marine Corps Forces Pacific Commanding General Keith Stalder said, "U.S. service members stationed in Japan are ready to give their lives to protect Japan." This is the origin of deterrence.

(8) Keidanren to end its involvement in steering corporate donations; DPJ welcomes the decision, which will be a blow to LDP

ASAHI (Page 4) (Excerpts)
February 26, 2010

Kyohei Matsuda, Akira Minami

The announcement by Nippon Keidanren (Japan Business Federation) of its policy to end its involvement in corporate and organizational donations is creating a stir. The Democratic Party of Japan (DPJ), which is eager to ban corporate/organizational donations, welcomes the business lobby's decision in principle. At the same time, the decision is certain to reduce funds for the Liberal Democratic Party (LDP), which has been enjoying ample financial support from the business community. The LDP is likely to be driven into a tight spot financially as an opposition party.

During a press conference yesterday, DPJ House of Councillors Caucus Chairman Azuma Koshiishi described Keidanren's decision as the result of the change of administration. Another veteran lawmaker noted: "Keidanren's announcement to end corporate donations at this particular time is a de facto declaration of its intent to keep its distance from the LDP."

In 2008 Keidanren-affiliated corporations/organizations donated 2.699 billion yen to the LDP in stark contrast to 190 million yen to the DPJ. The DPJ, which won a landslide victory in last year's House of Representatives election, is expected to receive 3.6 billion yen in party subsidies. "The massive sum of party subsidies will be enough to cover a drop in corporate/organizational donations," a mid-ranking lawmaker said.

Prime Minister Yukio Hatoyama also mentioned the total abolition of corporate/organizational donations during a party-head debate last week. The DPJ is preparing a bill amending the Political Funds

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Control Law.

In the first place, there are several complicated reasons behind the DPJ's plan to ban corporate donations. When illegal donations involving Ozawa came to light last March, the party dodged criticism by calling for a ban on donations. Last June the party presented to the Lower House a bill to amend the Political Funds Control Law, which was partly intended to cut off the LDP's funds at source by taking advantage of criticism over "politics and money."

Some attribute the DPJ's move to the feud between Ozawa and Keidanren. During his tenure as LDP secretary general, Ozawa asked individual companies for 15 billion yen in donations behind Keidanren's back. This drew a backlash from the business community. Even after Ozawa joined the DPJ, there have been hardly any exchanges between the top leaders of the two organizations.

Keidanren's new policy direction is likely to deal a serious blow to the LDP.

Many corporations, including trading companies and the Japan Department Stores Association, are making moves to reduce their donations to the LDP. "The move to quit making donations will probably gain momentum following Keidanren's decision," a mid-ranking LDP lawmaker predicted. "We might get knocked out completely, which is even worse than receiving a body blow."

(9) Postal services likely to be bloated: Fate of massive funds at Japan Post Bank

NIKKEI (Page 5) (Abridged slightly)
February 24, 2010

In late January a Japan Post Bank executive visited a number of ruling party members and explained to them (Japan Post Bank's situation) with a sense of crisis: "If Japan Post Bank's deposit balance falls below 150 trillion yen, the bank could slip into the red." In principle, Japan Post Bank is not authorized to engage in

financing business, with the exception of taking part in joint financing. It reaps profits by investing money deposited by individuals in government bonds. The size of its deposit balance is directly connected with profits. Japan Post Bank estimates that if investment yields and costs remain unchanged, and the deposit balance falls below 150 trillion yen, the bank would earn no profits. Japan Post Bank's deposit balance has been on a downtrend since 2000, marking 177 trillion yen as of the end of 2009. Furthermore, fixed-amount postal savings worth roughly 20 trillion yen will reach maturity dates in two years' time, starting in fiscal 2010.

Arguments calling for abolishing cap on postal savings

Unlike sluggish postal services, Japan Post Bank is the most profitable member of the Japan Post group. It is expected to account for 60 percent of the consolidated net profits of 430 billion yen estimated by the group. If the bank's deposit balance actually falls below 150 trillion yen, it would be difficult to subsidize the cost of maintaining nationwide uniform services such as financial services under the plan of the government and the ruling parties. Management and labor of the Japan Post group and the national special postmasters association (Zentoku) usually keep far apart. However, they are united in calling for boosting the deposit

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balance.

State Minister for Financial Affairs and Postal Reform Shizuka Kamei is envisioning the deposit balance expanding once again as a result of raising the cap on postal savings. The draft postal reform plan prepared by the government earlier in the month hints at a possible rise in the upper limit on postal savings in the future, noting that necessary measures are to be taken. Some in the government and the ruling parties are even calling for abolishing the cap.

Japan Post Bank has a huge amount of funds - roughly 1.4 times the amount held by the Mitsubishi UFJ Financial Group. Does Japan Post intend to further boost the amount? Pursuing an even larger amount of funds will not guarantee increased income.

Profit performance is not high

If long-term interest rates rise 2 percent, Japan Post will incur appraisal security losses of more than 1 trillion yen in postal savings and postal insurance. Japan Post is concerned about the present situation, in which 70-80 percent of its funds have been invested in government bonds. However, new investment ideas, such as launching into housing loans and loans to small and medium-sized businesses, as proposed in the government's draft plan, are fraught with the danger of becoming irrecoverable.

Provided that post offices rooted in local regions advance into the lending business, their competitors will likely be credit unions or credit cooperatives, whose main customers are SMEs and individual owner-managers rather than mega-banks. Competition among small- and medium-size financial institutions to capture them as customers is fierce. The standard thinking in the financial sector is that in the current economic climate, it is difficult to boost interest rates as a hedge against bankruptcy risks. Profit performance would not be high either.

There is concern that if post offices launch into the lending business without personnel possessing know-how or experience they could suffer a huge amount of bad loans. The government has also devised a policy of simplifying financial inspection and oversight of post offices. It appears that it gave consideration to the view that it is burdensome for small post offices to operate like a bank branch, as the postmaster of a post office in Tokyo noted. However, anxieties remain from the perspective of protecting consumers.
(Second of two parts)

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